

January 6, 2004

To: Interested Parties

From: David E. Beggs, Director
Property Tax Administration
Florida Department of Revenue

Re: Rule 12D-8.0082 and Florida Uniform Market Area Guidelines

Attached please find the latest draft of Rule 12D-8.0082 pertaining to the proposed Florida Uniform Market Area Guidelines, along with the current draft of the Florida Uniform Market Area Guidelines, dated January 6, 2004. The proposed rule and uniform guidelines are the result of the public workshop process, including five public workshops and one public rule hearing held from June to November 2003. The Department believes this proposed rule and these proposed guidelines are in the best interests of the taxpayers of the State of Florida, and will greatly enhance the Department's capability to evaluate geographic uniformity in real property assessment rolls, both within and between counties.

A rule hearing will be held on January 16, 2004 at 10:30 a.m. in Building C1, Training Room D, 5050 West Tennessee Street (U.S. Highway 90 West), Tallahassee, Florida [Note: this address is a change from the address noticed previously]. If you have any comments or concerns, we request that you appear at this hearing and express them or, alternatively, provide them in writing as soon as possible. In the interest of potential improvement, please describe specifically and clearly any substantial administrative effect these provisions might have and/or the basis for any recommended changes. Any comments you may have, positive or negative, are appreciated.

Please direct your response and any comments to Sharon Gallops, Tax Law Specialist, Department of Revenue, Property Tax Technical Unit, P.O. Box 7443, Tallahassee, Florida 32314-7443, telephone (850) 414-6108, FAX (850) 922-9252.

If you have any further questions regarding this matter, please do not hesitate to contact me.

DEB/1103-c-57429

Attachments

The Florida Uniform Market Area Guidelines

Draft Dated
January 6, 2004

FLORIDA DEPARTMENT OF REVENUE
PROPERTY TAX ADMINISTRATION PROGRAM

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1.0 INTRODUCTION

1.1 Overview and Legal Framework. Section 4, Article VII, of the Florida Constitution, requires a just valuation of all real property for ad valorem taxation, with certain exceptions. Section 1(d), Article VIII, of the Florida Constitution, provides for the voters of each county to elect a Property Appraiser every four years. As one of their tasks, Florida Property Appraisers have the statutory responsibility to list and appraise all real property in each county each year for purposes of ad valorem taxation. The Florida Department of Revenue is a state administrative agency with the statutory responsibility of general supervision of the assessment and valuation of real property for purposes of ad valorem taxation. The functions of Property Appraisers and the Department of Revenue are distinct and separate, as described below.

Section 193.085(1), Florida Statutes, states the following: *“The property appraiser shall ensure that all real property within his or her county is listed and valued on the real property assessment roll...”*

Section 195.002(1), Florida Statutes, states the following: *“The Department of Revenue shall have general supervision of the assessment and valuation of property so that all property will be placed on the tax rolls and shall be valued according to its just valuation, as required by the constitution. It shall also have supervision over tax collection and all other aspects of the administration of such taxes. The supervision of the department shall consist primarily of aiding and assisting county officers in the assessing and collection functions, with particular emphasis on the more technical aspects. In this regard, the department shall conduct schools to upgrade assessment skills of both state and local assessment personnel.”*

1.2 Legislative Intent for Just Valuations and Uniform Assessments. The short title of Chapter 195, Florida Statutes, is “Property Assessment Administration and Finance Law.” The legislative intent for Chapter 195 is described in Section 195.0012, Florida Statutes, as follows.

“It is declared to be the legislative purpose and intent in this entire chapter to recognize and fulfill the state’s responsibility to secure a just valuation for ad valorem tax purposes of all property and to provide for a uniform assessment as between property within each county and property in every other county or taxing district.”

1.3 Specific Authority for Uniform Market Area Guidelines. Section 195.027(1), Florida Statutes, generally requires the Department of Revenue to prescribe rules and regulations for certain public officials, including Florida Property Appraisers, who must follow these rules and regulations. Section 195.062(1), Florida Statutes, specifically requires the Department of Revenue to prepare and maintain a current manual of instructions for Property Appraisers. Sections 193.114(2) and (2)(a), Florida Statutes, specifically require the Department of Revenue to promulgate rules and guidelines for the establishment of market area codes (see section 1.4). Together, these statutes describe the specific authority and legislative intent for the promulgation of the Florida Uniform Market Area Guidelines.

Section 195.027(1), Florida Statutes, states the following: *“The Department of Revenue shall prescribe reasonable rules and regulations for the assessing and collection of taxes, and such rules and regulations shall be followed by the property appraisers, tax collectors, clerks of the circuit court, and value adjustment boards. It is hereby declared to be the legislative intent that the department shall formulate such rules and regulations that property will be assessed, taxes will be collected, and the administration will be uniform, just, and otherwise in compliance with the requirements of the general law and the constitution.”*

Section 195.062(1), Florida Statutes, states the following: *“The department shall prepare and maintain a current manual of instructions for property appraisers and other officials connected with the administration of property taxes. This manual shall contain all:*

- (a) Rules and regulations.*
- (b) Standard measures of value.*
- (c) Forms and instructions relating to the use of forms and maps.”*

The Florida Uniform Market Area Guidelines are part of the manual of instructions as described above.

1.4 Legal Provisions and the Variation in Florida’s Real Property Markets.

Sections 193.114(2) and (2)(a), Florida Statutes, state the following:

“(2) The department shall promulgate regulations and forms for the preparation of the real property assessment roll to reflect:

- (a) A brief description of the property for purposes of location and, effective January 1, 1996, a market area code established according to department guidelines...”*

These provisions specifically require the Department of Revenue to promulgate regulations, commonly referred to as rules, for the preparation of real property assessment rolls to include market area codes. The statute also requires the Department to promulgate guidelines for the establishment by Florida Property Appraisers of market area codes on all real property assessment rolls. Generally, guidelines are more flexible than rules in their development and application. These uniform market area guidelines allow for appropriate, but not unlimited, consideration of the variation in the legal, physical, and economic characteristics of the real property markets in Florida’s 67 counties, while still complying with the requirements of Florida law including uniformity in assessments and administration as described in sections 1.2 and 1.3. The appropriate, but not unlimited, application of the flexibility within this document is not intended to impede the uniform delineation, coding, and reporting of market areas in accordance with Florida law, rules, uniform guidelines, and regulatory activities.

1.5 Description of Geographic Stratification. The delineation and use of market areas under Florida law is an application of geographic stratification. For purposes of the Florida Uniform Market Area Guidelines, geographic stratification means to divide, or stratify, the real property parcels within a county into geographic groups, known as market areas, for purposes of statistical and analytical review of real property assessment rolls by both Florida Property Appraisers and the Department of Revenue. Any other applications of geographic stratification are not required by these uniform guidelines. The discussion of geographic stratification in the Florida Uniform Market Area Guidelines may be different from the discussions of the subject found in the single-property appraisal literature and also different from the discussions of using geographic units directly in mass appraisal modeling.

1.6 Purposes of These Uniform Guidelines. The purposes of the Florida Uniform Market Area Guidelines are as follows: 1) to provide direction and aid and assistance to Florida Property Appraisers for the delineation and coding of market areas for use in the statistical and analytical review of real property assessment rolls; 2) to promote and help facilitate the evaluation and enhancement of assessment uniformity, both within and between counties; and 3) to meet the Florida Department of Revenue's statutory obligation to promulgate rules and guidelines for the establishment of market areas and market area codes.

1.7 Intended Users of These Uniform Guidelines. Based on the statutory provisions referenced in sections 1.1, 1.2, 1.3, and 1.4 above, the primary intended users of the Florida Uniform Market Area Guidelines are Florida Property Appraisers and the Department of Revenue. Secondary users of these uniform guidelines may include taxpayers, other government agencies, and other interested parties. See sections 1.8 and 1.9 below.

1.8 Intended Uses of These Uniform Guidelines. There are two primary intended uses of the Florida Uniform Market Area Guidelines: for Florida Property Appraisers and their staff to use them as direction and as aid and assistance in the establishment of market areas and market area codes, and for the Department of Revenue to use them in the evaluation of market area codes established on Florida assessment rolls. Subject to the provisions and limitations specified in section 1.9, the secondary intended use is for both primary and secondary users to consider these uniform guidelines as a source of basic knowledge of the delineation and intended uses of market areas as described in this document. Any and all uses of these uniform market area guidelines and the market area codes on Florida assessment rolls must be consistent with the provisions of these uniform guidelines and with the responsibilities of Property Appraisers and the Department of Revenue.

1.9 Uses For Which These Uniform Guidelines Are Not Intended. These uniform guidelines are not intended to be used as a reference for any of the following or similar subjects: valuation theory, approaches, methods, or procedures. Additionally, these guidelines are not intended to be used as the complete reference for any of the following or similar subjects: geographic stratification, statistical and analytical review of assessment rolls, or applicable provisions of Florida law, manual of instructions, or regulatory activities. This document should be used only for its intended uses.

1.10 Sources of Information for These Uniform Guidelines. The Florida Uniform Market Area Guidelines are based on Florida law, manual of instructions, regulatory activities, and consideration of additional sources of information. The reference to information from a particular additional source does not necessarily imply that such information is directly applicable to these guidelines or that all information from such additional sources is applicable to the delineation and use of market areas under the Florida Uniform Market Area Guidelines. Additional sources of information considered in the development of these uniform guidelines include the following: 1) Florida Property Appraisers and their representatives; 2) Florida taxpayers and their representatives; 3) the Property Tax Administration Task Force (included representatives of a wide variety of Florida stakeholders); and 4) professional references.

2.0 USEFUL CONCEPTS AND DEFINITIONS

2.1 Overview. This section includes certain concepts and definitions applicable to the Florida Uniform Market Area Guidelines, but is not a complete listing. In the event of any conflict between these concepts and definitions and those from other external sources, the ones below shall apply. These concepts and definitions are based on the following: 1) Florida law, manual of instructions, and regulatory activities; 2) the intended uses of market areas as described herein; and 3) information from external sources. Any information from external sources may be considered only to the extent that it is consistent with Florida law, manual of instructions, and regulatory activities.

2.2 Ratio Study. Ratio study is defined in one ratio study reference as: *“A study of the relationship between appraised or assessed values and market values. Indicators of market values may be either sales (sales ratio study) or independent ‘expert’ appraisals (appraisal ratio study). Of common interest in ratio studies are the level and uniformity of the appraisals or assessments.”*¹

2.3 Qualified Sales. In the context of the Florida Uniform Market Area Guidelines, qualified sales are defined as those real property sales reported as arm’s length transactions to the Department and then filtered by the Department’s analysis programs to enhance the accuracy and representativeness of the sale data. Such qualified sales are referred to in these uniform guidelines as sales or sale counts.

2.4 Population. In the context of ratio studies, a population is defined as all real property parcels within a specified real property group. Depending on the situation, such a real property group may be composed of all real property within a county, all real property within a statutory stratum within a county, all real property within a market area, or all real property within some other specified group.

2.5 Sample. In the context of ratio studies, a sample is defined as the qualified sales that may occur within a population of real property within a specified time frame, or the

¹ International Association of Assessing Officers, *Standard on Ratio Studies* (Chicago: International Association of Assessing Officers, 1999), page 40.

real property parcels that may be randomly selected from a population for appraisal ratio studies. *“The sample consists of those parcels for which sales or expert independent appraisals are available.”*²

2.6 Representativeness. Representativeness is a condition where the characteristics or statistics of a sample may be considered typical of the characteristics or parameters of the population from which the sample is drawn. See the discussion of representative sample in section 2.7, and also see the discussion of geographic stratification and geographic representativeness in section 2.9.

2.7 Representative Sample. Representative sample is defined in one mass appraisal reference as: *“A sample of observations from a larger population of observations that is similar in relevant features to the population; thus statistics calculated from the sample can be expected to be representative of the population being studied.”*³ Sample representativeness can be enhanced by stratification.⁴

2.8 Stratification. Stratification means to divide, or stratify, real property populations or samples into two or more groups based on some defined criteria, resulting in property groups with one or more shared characteristics. These groups, or strata, are useful for the statistical and analytical review of real property assessment rolls. Stratification provides a more complete and detailed evaluation of appraisal performance, can enhance sample representativeness, and is essential in most ratio studies.⁵ The appropriate level of stratification may range from general, with only one criterion, to detailed, with several criteria. The term “stratum” means one group, and the term “strata” means more than one group. For statistical and analytical review by the Department of Revenue, Section 195.096(3)(a), Florida Statutes, specifies seven real property classes, or strata (see section 3.2).

2.9 Geographic Stratification. For purposes of the Florida Uniform Market Area Guidelines, geographic stratification means to divide, or stratify, the real property parcels within a county into geographic groups, known as market areas, for purposes of statistical and analytical review of real property assessment rolls by both Florida Property Appraisers and the Department of Revenue. Geographic stratification is useful for improving geographic representativeness in sale ratio studies.⁶ Market area stratification also is beneficial for valuation planning purposes by identifying areas requiring appraisal activities; other beneficial uses include diagnostic analysis and evaluation of geographic uniformity of assessments.

² Robert J. Gloudemans, *Mass Appraisal of Real Property*, (Chicago: International Association of Assessing Officers, 1999), page 227.

³ Ibid, page 395.

⁴ International Association of Assessing Officers, *Standard on Ratio Studies* (Chicago: International Association of Assessing Officers, 1999), page 10.

⁵ Ibid, page 10. Also, see Robert J. Gloudemans, *Mass Appraisal of Real Property*, (Chicago: International Association of Assessing Officers, 1999), pages 227-228.

⁶ Ibid, page 13.

2.10 Market Area Concepts. The definition of a market area is dependent upon the intended use of the market area, along with any applicable legal and regulatory provisions. The primary intended use of market areas on real property assessment rolls is statistical and analytical review by both Property Appraisers and the Department of Revenue. Certain provisions of Florida law are applicable to the Florida Uniform Market Area Guidelines. See sections 1.1, 1.2, 1.3, 1.4, 3.2, and 3.4. The first three subsections below contain information regarding markets and market areas from professional references, and the fourth subsection concludes with the definition of market areas applicable to these uniform market area guidelines under Florida law.

2.10.1 Market. One professional reference defines a market as: *“(1) The arena in which buyers and sellers interact. (2) The collective body of buyers and sellers for a particular product. Real property markets are often delineated by property type and geographic area.”*⁷

2.10.2 Market. Another professional reference defines a market as: *“(1) The topical area of common interest in which buyers and sellers interact. (2) The collective body of buyers and sellers for a particular product.”*⁸ These discussions of buyers and sellers indicate that sale transactions occur within a real property market area.

2.10.3 Market Area. One professional reference defines a market area as: *“See economic area.”*⁹ This same reference defines an economic area as: *“A geographic area, typically encompassing a group of neighborhoods, defined on the basis that the properties within its boundaries are more or less equally subject to a set of one or more economic forces that largely determine the value of the properties in question.”*¹⁰ This definition of a market area correctly recognizes that a market area is a geographic area comprised of a group of neighborhoods; however, it is deficient because it refers only to one (economic) of the interactive forces that affect real property market areas. Another professional source more appropriately recognizes four types of forces that affect real property markets: governmental forces, environmental forces, economic forces, and social forces.¹¹ Finally, Standard 6 on Mass Appraisal, of the Uniform Standards of Professional Appraisal Practice (USPAP), provides for identification of the location of the market area, along with the legal, physical, and economic attributes of the market.¹² There is no requirement under Florida law for Property Appraisers to comply with USPAP, but USPAP may offer useful guidance on specified issues and is included herein only for that purpose. See the last sentence in section 2.1. Consistent with this professional standard and Florida law, the Florida Uniform Market Area Guidelines

⁷ Robert J. Gloudemans, *Mass Appraisal of Real Property*, (Chicago: International Association of Assessing Officers, 1999), page 380.

⁸ International Association of Assessing Officers, *Glossary for Property Appraisal and Assessment* (Chicago: International Association of Assessing Officers, 1997), page 84.

⁹ Ibid, page 84.

¹⁰ Ibid, page 48.

¹¹ Robert J. Gloudemans, *Mass Appraisal of Real Property*, (Chicago: International Association of Assessing Officers, 1999), pages 15-16.

¹² Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice, 2003 Edition* (Washington, DC: The Appraisal Foundation, 2003), page 48.

provide for consideration of the legal, physical, and economic characteristics of geographic real property groups. See section 5.2.

2.10.4 Market Areas Under Florida Law. For purposes of the Florida Uniform Market Area Guidelines, market areas are geographic real property groups based on the statutory real property strata within each county. Market areas have legal, physical, and economic characteristics that are interactive and variable in their influence on geographic real property groups. Homogeneity of these legal, physical, and economic characteristics is not intended or required by these guidelines. Market areas are geographic divisions within Florida counties that do not cross county lines. The delineation of market areas is not based on any non-geographic stratification of real property. A market area is not synonymous with a comparable search area for a particular property or group of real property; a market area may be smaller than or larger than an appropriate comparable search area.

2.11 Market Area Codes. A market area code is a two-digit code as described in Rule 12D-8.013(6)(a), Florida Administrative Code. The function of market area codes is to identify the real property groups that have been geographically stratified into market areas based on the statutory strata described in section 3.2. See section 5.4.

2.12 Neighborhood. A neighborhood is a geographic real property group. Neighborhoods and neighborhood codes are different from market areas and market area codes. Market areas are larger geographic areas than neighborhoods. Neighborhoods and neighborhood codes are not required by these uniform guidelines.

3.0 USES OF MARKET AREAS IN FLORIDA

3.1 Overview. A clear understanding of the appropriate uses of market areas as defined herein is required in order to develop uniform market area guidelines and to delineate and code market areas in accordance with these uniform guidelines. Florida Statutes provide for Property Appraisers to delineate, code, and report market areas, and also provide for the Department of Revenue to use market areas in the statistical and analytical review of real property assessment rolls. Any and all uses of these uniform market area guidelines and the market area codes on Florida assessment rolls must be consistent with the provisions of these uniform guidelines and with the responsibilities of Property Appraisers and the Department of Revenue.

3.2 Statutory Real Property Strata. Section 195.096(3)(a), Florida Statutes, requires the Department of Revenue to compute statistical and analytical measures on the following seven real property classes, or strata, when the classes constituted 5 percent or more of the total assessed value of real property in a county on the previous assessment roll.

1. *Residential property that consists of one primary living unit, including, but not limited to, single-family residences, condominiums, cooperatives, and mobile homes.*

2. *Residential property that consists of two or more primary living units.*
3. *Agricultural, high-water recharge, historic property used for commercial or certain non-profit purposes, and other use-valued property.*
4. *Vacant lots.*
5. *Nonagricultural acreage and other undeveloped parcels.*
6. *Improved commercial and industrial property.*
7. *Taxable institutional or governmental, utility, locally assessed railroad, oil, gas, and mineral land, subsurface rights, and other real property.*

In order to proactively evaluate regulatory compliance, Florida Property Appraisers should perform their own statistical and analytical review on these statutory real property strata.

3.3 Statutory Strata Subject to Review Using Market Areas. Statutory strata 3 and 7 are not subject to statistical and analytical review by the Department of Revenue using market areas. The other five statutory real property strata are subject to statistical and analytical review by the Department using market areas.

3.4 Intended Use of Market Areas by the Department of Revenue. Section 195.096(2)(c), Florida Statutes, describes the intended use of market areas by the Department of Revenue during the review of assessment rolls, as follows.

"In conducting assessment ratio studies, the department must use a representative or statistically reliable sample of properties in tests of each classification, stratum, or roll made the subject of a ratio study published by it. The department shall document and retain records of the measures of representativeness of the properties studied in compliance with this section. Such documentation must include a record of the findings used as the basis for the approval or disapproval of the tax roll in each county pursuant to s. 193.1142. In addition, to the greatest extent practicable, the department shall study assessment roll strata by value groups or market areas for each classification, subclassification, or stratum to be studied, to assure the representativeness of ratio study samples. For purposes of this section, the department shall rely primarily on an assessment-to-sales-ratio study in conducting assessment ratio studies in those classifications of property specified in subsection (3) for which there are adequate market sales. The department shall compute the median and the value-weighted mean for each classification or subclassification studied or for the roll as a whole."

Geographic stratification using market areas is part of enhancing representativeness and evaluating appraisal uniformity in ratio studies. This is consistent with the information from a professional source presented in the following paragraph. The reference to "adequate market sales" in the preceding paragraph is consistent with the desirability of minimum sample sizes. Therefore, the development and application of

the Florida Uniform Market Area Guidelines address the competing considerations of stratifying to enhance representativeness and evaluate uniformity with providing for sample sizes sufficient for statistical and analytical review, as described in section 3.7.

The following excerpts from a professional source describe the appropriateness of stratifying real property by type, geographic area, and value range for ratio studies.

*“As with any ratio study, a major issue is stratification.”*¹³

*“Property class, geographic area, and value range are good candidates for stratification.”*¹⁴

The information from these excerpts is consistent with the stratification provisions for ratio studies found in Section 195.096(2)(c), Florida Statutes, and presented above. Also, see the discussion of stratification in section 2.8, the discussion of geographic stratification and geographic representativeness in section 2.9, and the discussion of a market area being a geographic area in sections 2.10.3 and 2.10.4.

3.5 Aid and Assistance to Property Appraisers. For training purposes, upon request, or in any cases where systemic opportunities for improvement appear to exist, the Department may provide to Property Appraisers, as aid and assistance, the results of its statistical and analytical review of real property assessment rolls using market areas. In such cases, Property Appraisers should then use this information to take advantage of any opportunities for improvement in assessment activities.

3.6 Uses of Market Areas by Florida Property Appraisers. For valuation planning purposes, diagnostic purposes, and in order to proactively evaluate regulatory compliance, Property Appraisers should use market area stratification in their own statistical and analytical review of real property assessment rolls. The direct use of market areas in the valuation modeling process, which involves the application of a particular valuation methodology, is not required to achieve successful mass appraisal results; however, these guidelines are not intended to preclude such use where desired and appropriate. Consistent with Florida law, the Florida Uniform Market Area Guidelines do not suggest or advocate the application of particular valuation methodologies. The application of a particular valuation methodology is a decision of administrative discretion on the part of Florida Property Appraisers. See section 11.2 of the Florida Real Property Appraisal Guidelines, adopted November 26, 2002. At their discretion, Property Appraisers are authorized to develop and directly use, in the valuation modeling process, geographic units and related coding systems other than those described in these uniform guidelines, including other market areas and related coding systems.

3.7 Sample Size Parameters for Market Areas. As described in sections 3.4 and 3.6 above, the intended use of market areas is to apply them as geographic strata for

¹³ Robert J. Gloudemans, *Mass Appraisal of Real Property*, (Chicago: International Association of Assessing Officers, 1999), page 322.

¹⁴ Ibid, page 322.

the statistical and analytical review of real property assessment rolls. As discussed in section 2.10.2, the concept of a market indicates the occurrence of sales within a market area. As addressed in section 3.4, adequate sample size (number of qualified sale transactions) is an important consideration in the delineation and use of market areas in the statistical and analytical review of real property assessment rolls. Where possible, it is desirable to have market areas with at least 30 or more qualified sales within a calendar year. It is appropriate to provide a buffer, where possible, between this desired sale count minimum and the annual variation in sale counts within market areas. Therefore, the market areas reported on Florida assessment rolls should be delineated and coded to achieve, to the greatest extent possible, a minimum sample size within each market area of 40 qualified sale transactions within a calendar year. The attainment of this desired minimum sample size within market areas is not necessary in all cases. For example, in the cases of counties with lower parcel counts or real property strata with limited sale counts, it may be preferable to focus more on the benefits of stratification than on achieving this desired minimum sample size. In any such cases where the benefits of stratification have more focus, achieving a useful number of qualified sales within each market area should still be a primary goal. It is important to realize that the desired minimum sale counts are not required for appraisal decision-making or for diagnostic analysis, and also to realize that sale counts much less than the desired minimum are still useful for appraisal decision-making and for diagnostic analysis.

4.0 PARAMETERS FOR MARKET AREAS IN FLORIDA

4.1 Overview. This section contains information and analysis for the Department of Revenue's development of market area parameters for Florida counties. As described in section 3.3, statutory strata 1, 2, 4, 5, and 6 are subject to statistical and analytical review by the Department of Revenue using market areas. The parameters described in this section pertain to these five statutory strata.

4.2 Sale Counts and Parcel Counts per Market Area. The intended uses of market areas, as described in sections 3.4, 3.5, and 3.6, require appropriately balancing the need for stratification with the need for sufficient sale counts per market area. However, this unit may be subject to significant annual variation. Generally, parcel counts per market area are subject to less variation than sale counts per market area and are easier to determine and maintain. Therefore, the delineation and maintenance of market areas under these uniform guidelines should include compliance with both parcel count and sale count parameters as described in these uniform guidelines.

4.3 Parameters for Stratum 1 Market Areas. As described in section 3.2, statutory stratum 1 is comprised of residential property consisting of one primary living unit. Generally, statutory stratum 1 comprises a higher percentage of the total real property assessed value on assessment rolls than any of the other statutory strata. Most of the real property sales occur in stratum 1 as well. The distribution of stratum 1 parcel counts per market area is contained in Table 1 in the Addendum. These data are arrayed in ascending order by parcel counts that can be used to identify a particular

county within the array. The columns of data in Table 1 are described below, in the order of development.

- (1) The first column, titled "Stratum 1 Parcel Counts," contains parcel counts for stratum 1 property in each county, taken from the 2002 final assessment rolls.
- (2) The third column, titled "Mid-Range Average Parcels per MA," contains the variable on which these parameters are based. These numbers represent mean parcel counts per market area. This variable begins with 680 parcels and was developed through consideration of the following: the benefits of stratification; balancing the need for stratification with the desirability of having useful sale counts within market areas; and the relationship between parcel counts and sale counts within counties. Moving down the table, the mid-range average parcels per market area variable increases in a manner designed to create a reasonable and uniform array consistent with the better applications of stratum 1 market area counts in several Florida counties.
- (3) The second column, titled "Minimum Average Parcels per MA," contains the minimum mean parcel counts per market area for stratum 1 property in each county; these numbers are subject to limited exceptions. These numbers were calculated by multiplying the mid-range average parcels per market area variable (third column) by 90 percent (.90). Within a county, the actual mean parcel count per market area may be less than the minimum indicated in this column, provided that appropriate sale counts exist within each market area on a consistent annual basis.
- (4) The fourth column, titled "Maximum Average Parcels per MA," contains the maximum mean parcel counts per market area for stratum 1 property in each county. These numbers were calculated by multiplying the mid-range average parcels per market area variable (third column) by 110 percent (1.10).
- (5) The fifth column, titled "Minimum Parcels for Any Single MA," contains the minimum parcel count for any individual market area within a county. In limited cases, the parcel count within an individual market area may be less than that indicated in this column, provided that the Department specifically approves a county's written request. Such request should describe an unusual situation and include sufficient justification.
- (6) The sixth column, titled "Maximum Parcels for Any Single MA," contains the maximum parcel count for any individual market area within a county.

For counties with lower total parcel counts and where stratum 1 sale counts are limited, there may be sale counts less than the desired minimum within market areas resulting from a county's diligent attempts to comply with these uniform guidelines, and the Department recognizes these situations. In such cases, it is appropriate to focus more on the benefits of geographic stratification than on attaining the desired sale count minimum. In these situations where a county has made diligent attempts to appropriately balance the need for stratification with the need for sufficient sale counts

within market areas, that county will not be out of compliance should the sale counts within market areas fall below the desired minimum described in section 3.7.

4.4 Results and Comparison of Stratum 1 Market Area Parameters. Table 2 in the Addendum contains the results of the Stratum 1 market area parameters described in section 4.3, along with a comparison with other geographic units including existing market area counts. The second, third, and fourth columns contain the following, respectively: the number of census tracts for each county; the number of census places for each county; and the number of existing stratum 1 market areas reported by each county on the 2002 final assessment rolls. The number of existing market areas reveals the lack of reasonable uniformity statewide and the need to have uniform guidelines. The next three columns contain the lower, mid-range, and upper number of market areas indicated by the uniform guidelines; in most cases, Property Appraisers may delineate and report more market areas than those reflected in the expected range. Comparison of this expected range of market areas with the column of existing market areas reveals that the existing number of market areas in several Florida counties lies within or exceeds the range of market areas indicated by the Florida Uniform Market Area Guidelines. However, substantial re-delineation of market areas within these counties still may be necessary due to excessive variation in the parcel counts per market area resulting in non-compliance with the parameters in Table 1. *[Note: The information in this paragraph and Table 2 is included in the sixth draft for illustrative purposes only and will be excluded from a future draft.]*

4.5 Parameters for Stratum 2 Market Areas. As described in section 3.2, statutory stratum 2 is comprised of residential property consisting of two or more primary living units. The parcel counts and sale counts within stratum 2 are much less than those within stratum 1. As discussed below, some Florida counties do not have stratum 2 sale counts sufficient to meet the desired sample size within market areas. The parameters for stratum 2 market areas are described below. All references to parcel counts are based on the 2002 final assessment rolls.

- (1) At their discretion, counties with fewer than 2,300 stratum 2 parcels may delineate, code, and report up to four stratum 2 market areas. The Department recognizes that in many cases for these counties, sale counts per market area may be less than the desired minimum. In such cases, it is appropriate to focus more on the benefits of geographic stratification than on attaining the desired sale count minimum. In these situations where a county has made diligent attempts to appropriately balance the need for stratification with the need for sufficient sale counts within market areas, that county will not be out of compliance should sale counts fall below the desired minimum described in section 3.7.
- (2) Generally, counties with more than 2,300 stratum 2 parcels have sufficient sale counts, with possible exceptions, for the use of more than one market area in statistical and analytical review. All counties with more than 2,300 stratum 2 parcels should delineate, code, and report two or more market areas, even if a county has sale counts less than the desired minimum at the time of implementation. In the case where a county with more than 2,300 parcels has made diligent attempts to appropriately balance the need for stratification with the

need for sufficient sale counts within market areas, that county will not be out of compliance should sale counts fall below the desired minimum described in section 3.7.

- (3) For all counties with more than 2,300 stratum 2 parcels, the range for mean average parcel counts per market area is 800 to 2,000 parcels, and the range for parcel counts for any individual market area is 500 to 2,500 parcels. Within a county, the actual mean parcel count per market area may be less than the minimum, provided that appropriate sale counts exist within each market area on a consistent annual basis and provided that no county has more than 25 stratum 2 market areas. Each market area should be delineated to contain, to the greatest extent possible, the desired minimum sale counts described in section 3.7.

4.6 Parameters for Stratum 4 and 5 Market Areas. Statutory stratum 4 generally is comprised of vacant subdivided lots and statutory stratum 5 generally comprises undeveloped parcels. These two strata are subject to significant annual variation in sale counts, parcel counts, and parcel locations due to the ongoing creation and development of vacant parcels. In order to optimize the efficiency of the uniform market area delineation and maintenance processes, and at the discretion of Property Appraisers, the market area boundaries delineated for stratum 1 property also may be used for stratum 4 property and the market area boundaries for stratum 6 property also may be used for stratum 5 property. See section 5.4. Alternatively, and at the discretion of Property Appraisers, separate market area systems for strata 4 and 5 may be delineated, coded, and reported, provided that the number of market areas is less than that for strata 1 and 6, respectively. In such systems, each market area should be delineated with diligent attempts to appropriately balance the need for geographic stratification with the need to achieve within market areas the desired minimum sale counts described in section 3.7.

4.7 Parameters for Stratum 6 Market Areas. As described in section 3.2, statutory stratum 6 is comprised of improved commercial and industrial property. The parcel counts and sale counts within stratum 6 are much less than those within stratum 1. As discussed below, some Florida counties do not have stratum 6 sale counts sufficient to meet the desired sample size within market areas. The parameters for stratum 6 market areas are described below. All references to parcel counts are based on the 2002 final assessment rolls.

- (1) At their discretion, counties with 5,000 or fewer stratum 6 parcels may delineate, code, and report up to four stratum 6 market areas. The Department recognizes that in many cases for these counties, sale counts per market area will be less than the desired minimum. In such cases, it is appropriate to focus more on the benefits of geographic stratification than on attaining the desired sale count minimum. In these situations where a county has made diligent attempts to appropriately balance the need for stratification with the need for sufficient sale counts within market areas, that county will not be out of compliance should sale counts fall below the desired minimum described in section 3.7.

- (2) Generally, counties with more than 5,000 stratum 6 parcels have sufficient sale counts for the use of more than one market area in statistical and analytical review. All counties with more than 5,000 stratum 6 parcels should delineate, code, and report two or more market areas, even if a particular county has sale counts less than the desired minimum at the time of implementation. In any case of marginal sale counts where a county with more than 5,000 parcels has made diligent attempts to appropriately balance the need for stratification with the need for sufficient sale counts within market areas, that county will not be out of compliance should sale counts fall below the desired minimum described in section 3.7.
- (3) For all counties with more than 5,000 stratum 6 parcels, the range for mean average parcel counts per market area is 1,500 to 4,000 parcels, and the range for parcel counts for any individual market area is 1,000 to 4,500 parcels. Within a county, the actual mean parcel count per market area may be less than the minimum, provided that appropriate sale counts exist within each market area on a consistent annual basis and provided that no county has more than 20 stratum 6 market areas. Each market area should be delineated to contain, to the greatest extent possible, the desired minimum sale counts described in section 3.7.

4.8 Additional Market Area Parameters. Market areas should be delineated and coded in a manner that maximizes the stability of market area boundaries and coding systems and minimizes the need to adjust them. However, some maintenance will be necessary as market change occurs. During the initial delineation of market areas, the life cycle stages that may occur within a market area should be considered. For example, in growth areas, parcel counts per market area significantly below the maximums should be applied in order to minimize the need to create new market areas when parcel counts within existing market areas approach the maximums due to market growth. This consideration would be less important for areas that are built-out and have limited potential for growth. See section 5.5. When delineating market areas, the relationship between sale counts and parcel counts within each market area should be considered, along with the desirability of maximizing sample representativeness within each market area.

5.0 DELINEATION AND CODING OF MARKET AREAS

5.1 Overview. Market areas should be delineated, coded, maintained, and reported on each real property parcel on assessment rolls in accordance with applicable Florida law, rules, uniform guidelines, and regulatory activities. This approach will enhance the Department of Revenue's primary reliance on sale ratio studies using available sale data as described in Section 195.096(2)(c), Florida Statutes.

5.2 Legal, Physical, and Economic Characteristics. The legal, physical, and economic characteristics of real property groups are interactive and variable, and represent useful and flexible considerations for identifying reasonable market area boundaries in accordance with the items listed in section 5.3. Practical examples of such considerations include the following:

- (1) Future land use classifications;
- (2) Zoning classifications;
- (3) County lines;
- (4) Section lines;
- (5) Census tracts, census designated places, etc.;
- (6) Rivers, lakes, oceans, bays, etc.;
- (7) Major streets, expressways, railroads, canals, etc.;
- (8) Real property type;
- (9) Real property size;
- (10) Real property construction quality and features;
- (11) Real property age; and
- (12) Real property condition.

The appropriate amount of weight to place on such individual considerations will vary in specific cases based on the statutory stratum involved, and on the Property Appraiser's evaluation of the particular circumstances involved, subject to the provisions in section 5.3. For example, a major street may be a good boundary for a stratum 1 market area, but may be inappropriate for a stratum 6 market area if commercial properties line both sides of the street. A better boundary for a stratum 6 market area may be a future land use classification boundary. Depending on the circumstances and at the discretion of Property Appraisers, all or part of the boundaries of one or more census geographic entities may be appropriate boundaries for a market area.

5.3 Market Area Boundaries. Market areas should be delineated, coded, and reported in accordance with the following:

- (1) applicable Florida law, rules, uniform guidelines, and regulatory activities;
- (2) the benefits of geographic stratification described in sections 2.8 and 2.9;
- (3) the sample size parameters described in section 3.7;
- (4) the market area parameters described in sections 4.3 through 4.8; and
- (5) consideration of the relevant legal, physical, and economic characteristics referenced in section 5.2.

However, excessive reliance on legal, physical, and economic factors is not intended to impede appropriate application of the first four provisions listed above in this section. A market area boundary does not extend beyond a county line. Market area boundaries for different statutory strata can overlap. In almost all cases, the boundaries of a particular market area will form a single geographic unit, but there may be limited exceptions for unique situations within a county where a market area could be composed of two or more non-contiguous geographic areas. Such exceptions are subject to review and approval by the Department upon a county's written request describing the unique situation and providing sufficient justification.

5.4 Market Area Coding Systems. Market area codes are two-digit codes reported each year to the Department of Revenue for each real property parcel on assessment rolls. Until further notice, no county may apply more than 99 market area codes within one of the statutory real property strata. A few of the largest Florida counties could have a total market area count numbering in the three digits. In order to accommodate any such total market area counts using a two-digit coding system, these few counties may have to use the same market area code for more than one statutory real property strata. For example, such a county could have a market area code 20 for stratum 1 property and also have a market area code 20 for stratum 2 property, even though the boundaries likely will be different. Other coding parameters include the following.

- (1) Counties with large numbers of a particular property use code within stratum 1 may choose to develop a separate system of market area codes for that particular property type, provided that more than one market area is delineated and coded for such separate system. All other parameters and provisions for stratum 1 property would still apply.
- (2) If a county selects the option of using stratum 1 market area boundaries for stratum 4 market area boundaries, then all stratum 4 properties within a stratum 1 market area boundary also should get the corresponding stratum 1 market area code.
- (3) If a county selects the option of using stratum 6 market area boundaries for stratum 5 market area boundaries, then all stratum 5 properties within a stratum 6 market area boundary also should get the corresponding stratum 6 market area code.
- (4) The market area coding system applied to real property within statutory strata 3 and 7 is at the discretion of Property Appraisers.

5.5 Maintenance of Market Areas and Market Area Codes. Florida Property Appraisers should submit the 2005 preliminary assessment rolls with market area codes established on all real property parcels in compliance with applicable Florida law, rules, uniform guidelines, and regulatory activities. Therefore, Property Appraisers will have a substantial period of time to delineate and code market areas. Following the initial delineation and coding period, Florida Property Appraisers should maintain market areas and market area codes on each real property parcel on assessment rolls in accordance with applicable Florida law, rules, uniform guidelines, and regulatory activities. After submittal of the 2005 preliminary assessment rolls, any proposed significant changes to market area delineation and coding systems, other than normal maintenance, are subject to review and approval by the Department upon a county's written request describing in detail the reason for such proposed changes and providing sufficient justification. As growth in real property markets occur over time, it is preferable to create new market areas when parcel counts and sale counts allow, rather than maintain many market areas close to the maximum parcel count parameters. See section 4.8.

5.6 Framework for Resolution of Issues. To resolve any issues relating to market areas and these uniform guidelines during the delineation and coding period and at any time thereafter, the Department of Revenue and the offices of Florida Property Appraisers will work cooperatively within the framework of applicable Florida law, rules, uniform guidelines, and regulatory activities.

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ADDENDUM

- Table 1 - This contains data, analysis, and results pertaining to market area parameters for statutory stratum 1 real property for each county.
- Table 2 - This contains the ranges of market areas resulting from the analysis in Table 1, along with a comparison with census geographic entities and the existing number of market areas reported by each county.

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TABLE 1					
Actual	Guideline Data for Stratum 1 Market Areas				
Stratum 1 Parcel Counts	Minimum Average Parcels per MA (1)	Mid-Range Average Parcels per MA	Maximum Average Parcels per MA	Minimum Parcels for any Single MA (2)	Maximum Parcels for any Single MA
1,451	612	680	748	400	1,051
1,768	673	748	823	400	1,368
2,012	717	796	876	400	1,612
2,963	863	959	1,055	500	1,918
3,040	874	971	1,068	500	1,942
3,385	920	1,023	1,125	500	2,045
4,088	1,008	1,120	1,232	500	2,240
4,212	1,023	1,136	1,250	500	2,272
4,232	1,025	1,139	1,253	500	2,277
4,376	1,042	1,157	1,273	500	2,314
4,888	1,098	1,221	1,343	500	2,441
5,596	1,172	1,303	1,433	600	2,605
6,026	1,215	1,350	1,485	600	2,700
6,071	1,219	1,355	1,490	600	2,710
6,532	1,263	1,403	1,544	600	2,807
6,915	1,298	1,442	1,587	600	2,885
6,924	1,299	1,443	1,588	600	2,887
7,355	1,337	1,486	1,634	600	2,972
8,299	1,417	1,575	1,732	600	3,150
8,398	1,425	1,584	1,742	600	3,168
8,932	1,468	1,632	1,795	600	3,263
9,561	1,517	1,686	1,854	600	3,372
11,992	1,692	1,880	2,068	800	3,760
12,357	1,717	1,907	2,098	800	3,815
12,703	1,740	1,933	2,126	800	3,866
14,258	1,839	2,043	2,248	800	4,087
15,939	1,941	2,156	2,372	800	4,312
21,919	2,262	2,514	2,765	1,000	5,027
21,946	2,263	2,515	2,766	1,000	5,030
25,275	2,423	2,692	2,961	1,000	5,384
26,234	2,467	2,741	3,015	1,000	5,481
29,945	2,629	2,921	3,213	1,000	5,842
34,579	2,817	3,130	3,443	1,000	6,261
37,723	2,938	3,264	3,591	1,000	6,529
44,902	3,195	3,550	3,905	1,000	7,100
48,672	3,321	3,690	4,059	1,000	7,381
49,117	3,336	3,707	4,077	1,000	7,413
52,085	3,431	3,813	4,194	1,000	7,625
56,574	3,571	3,968	4,364	1,000	7,935
56,606	3,572	3,969	4,365	1,000	7,937
58,565	3,631	4,034	4,438	1,000	8,068
58,579	3,631	4,035	4,438	1,000	8,069
60,765	3,696	4,106	4,517	1,000	8,213
64,706	3,809	4,233	4,656	1,000	8,465
65,227	3,824	4,249	4,674	1,000	8,498
68,636	3,919	4,354	4,790	1,000	8,709
75,525	4,104	4,560	5,015	1,000	9,119
78,874	4,190	4,656	5,121	1,000	9,312
84,586	4,334	4,815	5,297	1,000	9,630
95,444	4,593	5,103	5,614	1,000	10,207
97,932	4,650	5,167	5,684	1,000	10,334
101,622	4,734	5,260	5,786	1,000	10,520
115,955	5,044	5,605	6,165	1,000	11,210
140,438	5,532	6,146	6,761	1,000	12,292
145,454	5,626	6,251	6,876	1,000	12,502
156,775	5,833	6,481	7,129	1,000	12,961
161,328	5,913	6,571	7,228	1,000	13,141
165,179	5,981	6,646	7,310	1,000	13,291
185,654	6,327	7,030	7,733	1,000	14,060
203,548	6,614	7,349	8,083	1,000	14,697
228,627	6,994	7,771	8,548	1,000	15,543
257,539	7,407	8,230	9,053	1,000	16,460
295,903	7,919	8,799	9,679	1,000	17,597
346,950	8,549	9,499	10,449	1,000	18,999
479,659	9,992	11,102	12,212	1,000	22,204
575,567	10,908	12,120	13,332	1,000	24,241
601,882	11,146	12,384	13,623	1,000	24,768
Notes (1) (2): See text of FUMAG for possible exceptions to guidelines in Columns 2 and 5.					

Actual Data				Guideline Data for Stratum 1		
Stratum 1 Parcel Counts	No. of Census Tracts	No. of Census Places	Existing Market Areas	Lower No. of Market Areas	Mid-Range No. of Market Areas	Upper No. of Market Areas (1)
1,451	2	1	4	2	2	2
1,768	2	1	9	2	2	3
2,012	3	3	3	2	3	3
2,963	2	1	1	3	3	3
3,040	3	3	4	3	3	3
3,385	3	2	3	3	3	4
4,088	2	3	12	3	4	4
4,212	5	3	6	3	4	4
4,232	4	5	1	3	4	4
4,376	3	2	2	3	4	4
4,888	4	2	2	4	4	4
5,596	4	3	4	4	4	5
6,026	3	5	11	4	4	5
6,071	2	2	2	4	4	5
6,532	3	3	7	4	5	5
6,915	3	2	7	4	5	5
6,924	4	5	3	4	5	5
7,355	5	1	1	4	5	5
8,299	4	2	1	5	5	6
8,398	5	2	8	5	5	6
8,932	6	4	4	5	5	6
9,561	6	2	3	5	6	6
11,992	9	6	5	6	6	7
12,357	11	11	6	6	6	7
12,703	6	3	16	6	7	7
14,258	7	13	2	6	7	8
15,939	8	4	4	7	7	8
21,919	10	7	1	8	9	10
21,946	8	5	4	8	9	10
25,275	6	5	11	9	9	10
26,234	6	4	4	9	10	11
29,945	14	6	3	9	10	11
34,579	17	5	19	10	11	12
37,723	26	13	22	11	12	13
44,902	19	5	16	11	13	14
48,672	23	15	8	12	13	15
49,117	20	8	4	12	13	15
52,085	19	12	8	12	14	15
56,574	43	9	3	13	14	16
56,606	24	11	6	13	14	16
58,565	25	20	10	13	15	16
58,579	18	15	34	13	15	16
60,765	28	7	9	13	15	16
64,706	29	14	10	14	15	17
65,227	33	13	4	14	15	17
68,636	48	2	7	14	16	18
75,525	23	11	7	15	17	18
78,874	36	10	22	15	17	19
84,586	32	29	4	16	18	20
95,444	58	12	4	17	19	21
97,932	60	15	8	17	19	21
101,622	46	6	5	18	19	21
115,955	75	15	6	19	21	23
140,438	52	16	14	21	23	25
145,454	65	25	15	21	23	26
156,775	110	36	5	22	24	27
161,328	83	27	6	22	25	27
165,179	78	24	23	23	25	28
185,654	92	23	28	24	26	29
203,548	117	38	37	25	28	31
228,627	150	5	5	27	29	33
257,539	193	45	6	28	31	35
295,903	249	33	14	31	34	37
346,950	208	34	34	33	37	41
479,659	265	66	18	39	43	48
575,567	279	78	8	43	47	53
601,882	348	80	7	44	49	54

Note (1): There are possible exceptions to the guideline data in Column 7.